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C O N F I D E N T I A L ALGIERS 0381

E.O. 11652: GDS

TAGS: OREP (MCCLURE, JAMES A.)

SUBJECT: CODEL MCCLURE

SUMMARY: SENATOR MCCLURE RECEIVED BY BOUMEDIENE, ABDESSELAM AND SEC GEN GINANCE. HE MADE GOOD IMPRESSION AND ALGERIANS PLEASED WITH VISIT, BUT ABDESSELAM TOOK OCCASION VOICE DIRE FOREBODINGS ABOUT OUR ENERGY POLICIES (SEPTEL).

1. CODEL MCCLURE VISITED ALGIERS FEBRUARY 7 - 9. THIS FIRST CONGRESSIONAL VISIT SINCE RESTORATION RELATIONS. ALTHOUGH WE STILL HAD NO APPOINTMENTS WITH SENIOR ALGERIANS FIVE HOURS AFTER CODEL'S ARRIVAL, GOA CAME THROUGH WITH LAST MINUTE CALLS ON BOUMEDIENE AND ABDESSELAM, AS WELL AS MORE ROUTINE CALL ON SEC GEN FINANCE AOUI. BOUMEDIENE, WHO TOOK TIME OUT FROM VERY BUSY DAY TO SPEND OVER AN HOUR WITH SENATOR, WAS RELAXED AND FRIENDLY. DID NOT BREAK NEW GROUND, BUT DID MAKE NUMBER OF COMMENTS REVEALING HIS CONCERNS ABOUT CURRENT AMERICAN POLICIES. COMMENTS WERE IN THREE GENERAL CATEGORIES: NEAR EAST, OIL AND THIRD WORLD.

2. RE NEAR EAST, BOUMEDIENE REPEATED HIS FAMILIAR ARGUMENTS ABOUT NEED FOR MORE BALANCE IN OUR TREATMENT ARABS AND ISRAELIS. SAID ISRAELIS MUST REALIZE TIME NOT ON THEIR SIDE. ARABS, WHO HAD BEEN IN TROUGH, NOW RISING TO CREST OF WAVE FOR SECOND TIME IN THEIR HISTORY. IT WOULD BE IMPOSSIBLE FOR ISRAEL TO OPPOSE ARABS MILITARILY INDEFINITELY.

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PEACE IS IN

CCVELIS' INTEREST AND U.S. MUST EXERT PRESSURE TO MAKE IT COME TO PASS. BOUMEDIENE COULD NOT UNDERSTAND HOW SMALL STATES LIKE ISRAEL COULD IMPOSE ITS WILL ON GIANT LIKE U.S. AMERICANS TO WHOM HE SPOKE ABOUT THIS OFTEN REFERRED TO ROLE OF CONGRESS AS EXPLANATION.

3. SENATOR SAID THERE WAS TENDENCY ON PART CONGRESS TO FAVOR ISRAEL AND HE FELT THERE WAS NEED FOR MORE BALANCE IN OUR POLICIES AS RESULT. WHEN HE HAD SPOKEN OUT AGAINST THIS TENDENCY IN FALL OF 1973, THERE WERE PERHAPS A DOZEN OTHER MEMBERS OF SENATE WILLING TO STAND WITH HIM. TODAY THERE WERE PERHAPS 25. SENTIMENT IN U.S. WAS CHANGING, BUT CHANGE NOT FAST ENOUGH TO KEEP UP WITH PACE OF PROBLEM. FURTHERMORE, U.S. COULD NOT DICTATE TO SOVEREIGN STATES, NO MATTER HOW SMALL, DECISIONS AFFECTING THEIR NATIONAL DESTINY.

4. ON OIL, PRESIDENT NOTED THAT HE HAD TOLD ME AND BUSINESSMEN THAT TALK OF STRANGULATION WAS IRRELEVANT. PROBLEM WAS NOT POSED BY OPEC STATES. HE SAID I HAD TOLD HIM HE WAS MISTAKEN IN HIS INTERPRETATION OF SECRETARY'S WORDS ON SUBJECT AS THREAT. WAS HE MISTAKEN? SENATOR SAID SECRETARY HAD MADE CAREFULLY PHRASED NEGATIVE STATEMENT RULING OUT USE OF FORCE IN ALL BUT MOST EXTREME CIRCUMSTANCES. THIS HAD BEEN DISTORTED BY PRESS INTO POSITIVE STATEMENT TO EFFECT WE WOULD USE FORCE. THIS WAS SOURCE OF GOOD DEAL OF MISUNDERSTANDING.

5. BOUMEDIENE SAID ALGERIA WANTED PEACEFUL COMPETITION AND NEEDED MONEY WITH WHICH TO FINANCE ITS DEVELOPMENT. THIS YEAR ALGERIA WOULD BE DEFICIT COUNTRY. IT HAD TO SELL OIL. EMBARGO NOT IN THE CARDS AND, ANYWAY, EVERYONE KNEW HOW LOOSELY LAST ONE HAD BEEN MAINTAINED. IT HAD NOT BEEN AN EMBARGO BUT ONLY PRODUCTION CUT. GIVEN ARAB INTEREST IN SELLING OIL, THERE WAS NO NEED TO MAKE THREATS. WHAT WAS NEEDED WAS FRUITFUL DIALOGUE. I REMINDED HIM THAT UNDERSECRETARY ROBINSON COMING HERE FEBRUARY 21 FOR JUST THAT PURPOSE. HE NODDED.

6. BOUMEDIENE LATER IN THE CONVERSATION SAID HE HAD READ SECRETARY'S NATIONAL PRESS CLUB SPEECH AND CONFIDENTIAL

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THOUGHT WAY IN WHICH SECRETARY HAD LAID DOWN CONDITIONS EVERYONE MUST ACCEPT IF WE WERE TO PARTICIPATE IN PRODUCER - CONSUMER CONFERENCE COULD BE INTERPRETED AS A REFUSAL TO HAVE A DIALOGUE WITH PRODUCERS. I SAID IT WOULD BE MISTAKE TO DRAW SUCH A CONCLUSION AND POINTED OUT THAT AFTER SETTING FORTH CONDITIONS BOUMEDIENE HAD MENTIONED, SECRETARY HAD GONE ON TO MAKE CLEAR HOW SERIOUS WE WERE ABOUT HAVING DIALOGUE.

7. THIRD WORLD - BOUMEDIENE TOWARDS END OF CONVERSATION REVERTED TO HIS THEME ABOUT THE NEED FOR U.S. TO ALTER POLICIES VIS-A-VIS THIRD WORLD IN GENERAL. HE BEGAN BY ASKING WHY U.S. REGARDED EVERYTHING PROGRESSIVE WITH SUSPICION AND WAS ALWAYS INVOLVED WITH UNREPRESENTATIVE REGIMES. SENATOR SAID WE BELIEVE PEOPLES OF WORLD SHOULD BE ALLOWED TO CHOOSE THEIR FORM OF GOVERNMENT WITHOUT OUTSIDE INTERFERENCE, AND THIS WAS BEING DENIED THEM IN MANY PLACES. BOUMEDIENE SMILED AND SAID, "BY OUTSIDE INTERFERENCE YOU MEAN THE COMMUNISTS." SENATOR SAID HE DID. BOUMEDIENE WENT ON TO DEVELOP HIS THEME, BUT SENATOR'S POINT REGISTERED.

8. SESSIONS WITH SECRETARY GENERAL FINANCE AOUI NEXT MORNING DEVOTED TO DISCUSSION ECONOMIC PROBLEMS OF WORLD IN GENERAL AND ALGERIA IN PARTICULAR. AOUI SAID THAT AS RESULT INFLATION, AND FAULTY DATA FROM IBRD AND IMF, ALGERIA FOUND ITSELF IN DIFFICULT SITUATION. LAST YEAR IT HAD SET FORTH FOUR-YEAR PLAN WHICH PROVIDED FOR PROJECTS TO BE UNDERTAKEN IN 1975 AT COST OF \$4.5 BILLION, WHICH WAS WITHIN COUNTRY'S MEANS, BUT NOW FOUND THAT SAME PROJECTS WOULD COST DOLD 6 OR 7 BILLION, WHICH MEANT THEY MUST BORROW UPWARD OF DOLS. 2 BILLION. TO MAKE MATTER WORSE, IBRD HAD JUST UPPED INTEREST RATE TO 8.5 PERCENT. ALGERIA IS IN A HURRY TO DEVELOP. IT NEEDED MONEY. WHERE WAS IT TO GET IT? OTHER ARABS WOULD NOT LEND TO ALGERIA BECAUSE THEY PREFER SAFER INVESTMENTS IN DEVELOPED COUNTRIES.

9. SENATOR SAID ALGERIAN PROBLEM SHARED BY GOVERNMENTS, BUSINESSES AND INDIVIDUALS AROUND THE WORLD. HE ESTIMATED THAT INCREASE IN ENERGY PRICES RESPONSIBLE FOR
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ON-SEVENTH OF U.S. INFLATION AND ONE-FIFTH OF JAPAN'S. AOUI SAID ALGERIANS DISAGREED. THEY HAD MADE ANALYSIS SHOWING ENERGY PRICES. ONLY RESPONSIBLE FOR 2 PERCENT INCREASE IN OVERALL PRICES. SENATOR SAID THERE NO CONFLICT. TWO PERCENT WAS ABOUT ONE-SEVENTH OF OVERALL 14 PERCENT INFLATION RATE IN U.S.

10. AOUI SAID IMF CALCULATION OF OPEC RESERVES HAD BEEN GROSSLY OVERSTATED. BOTH AOUI AND PRESIDENT BOUMEDIENE EMPHASIZED THESE ERRORS AS A PROBLEM. ALGERIANS, THINKING THEY WELL OFF, HAD PREPAID 300 MILLION DOLLARS OF 1973 BORROWINGS AND NOW HAVE TO BORROW FOR THIS YEAR. IT ALSO MADE A DIALOGUE DIFFICULT IF SUCH BASIC FACTS WERE IN ERROR.

11. ABDESSELAM. WE HAD GIVEN UP HOPE OF CALL ON PRESIDENT

INDUSTRY AND ENERGY ABDESSELAM WHEN AT 6:00 P.M.
SATURDAY, MINISTER HIMSELF CALLED HOTEL TO SAY HE SENDING
CAR TO PICK UP SENATOR. MEETING LASTED OVER AN HOUR. FIRST
HALF SPEND ON ARAB-ISRAEL PROBLEM, BUT THEN ABDESSELAM WARMED
UP TO ENERGY PROBLEM AND SAID U.S. PREPARING CONFRONTATION WITH
OPEC IN WHICH FIRST VICTIME WILL BE ALGERIA. HIS REMARKS
MERIT SEPARATE TELEGRAM (ALGIERS 0384). HE NEVER-
THELESS CLOSED ON FRIENDLY NOTE.

12. CONCLUSION: BELIEVE SENATOR'S VISIT VERY USEFUL.
LOCAL PRESS HAS PORTRAYED HIM AS SYMPATHETIC AND HAS
MADE POINT OF PRINTING SOME OF HIS REMARKS IN CONGRESS.
AL-MOUDJAHID SENT ONE OF ITS PETROLEUM REPORTERS TO INTERVIEW
HIM AND FOR FIRST TIME WE GETTING CHANCE EXPOSE LOCAL PUBLIC
DIRECTLY TO OUR VIEW ON OIL PROBLEM. SENATOR
ARRIVED WITH GOOD CREDENTIALS AS FAR AS ALGERIANS CONCERNED,
BUT HE ALSO DID GOOD JOB DEFENDING OUR POSITIONS AND
IMPRESSED ALGERIANS WITH HIS SERIOUS AND
THOUGHTFUL APPROACH. BOUMEDIENE WENT OUT OF HIS WAY
TO SAY HOW IMPORTANT SUCH CONTACTS WERE AND HE PROLONGED
MEETING WELL BEYOND RITUAL HALF HOUR, APPARENTLY
BECAUSE HE ENJOYING EXCHANGE. PARKER

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